REMARKS

Upon entry of this amendment, claims 1-90 will be pending. Claim 31 is currently amended without introducing new matter (see the specification at, for example, page 25, line 29 to page 26, line 21). Clams 39, 42, and 52 are also amended to more particularly point out the subject matter Applicant regards as the invention. Claims 58-90 are new.

In the following, the rejection under 35 U.S.C. § 103(a) is first traversed, followed by response to the rejection under 35 U.S.C. § 101. Applicant notes that the previous rejections of claim 30 and 43 have been withdrawn.

A. CLAIMS 1-57 ARE NOT OBVIOUS UNDER 35 U.S.C. § 103

The Examiner has repeated the rejection of claims 1-57 as unpatentable under 35 U.S.C. § 103(a) over U.S. patent no. 5,206,803 to Vitagliano et al. ("Vitagliano") in view of U.S. patent no. 5,884,285 to Atkins ("Atkins") and U.S. patent no. 6,105,007 to Norris ("Norris").

In order to "give light to the circumstances surrounding the origin of the subject matter sought to be patented" and prior to specifically responding to the substance of the Examiner's rejections, the Applicant explains why the art prior to the Applicant's invention failed and how the Applicant's claimed invention overcomes this failure.[1]

Generally, the present invention relates to systems and methods for providing loan management from cash or deferred income arrangements. In preferred embodiments, it relates to improved systems and methods enabling a participant in a pension benefit plan to obtain a tax-exempt loan based on his or her assets contained in the pension benefit plan and to account for and administer such loans.

An account in a benefit plan is made up of one or more discrete investments, typically mutual funds selected by the plan beneficiary. The value of these mutual funds usually fluctuates with the stock/bond market and are tracked by a pension administrator usually on its own computer systems. Under the current regulatory scheme, a participant may borrow from

[1] *Graham v John Deere et al.*, 383 U.S. 1, 18-19 (1966).

their pension account the lesser of the amount specified by law, the plan sponsor, or the participant themselves.

Prior art systems and methods, especially the one disclosed in the cited U.S. Patent No. 5,206,803, to Vitagliano et al. ("the '803 Patent"), have two major deficiencies that have caused these systems to be commercially unsuccessful during the more than ten years since the '803 Patents issued and despite efforts by major financial institutions.

First, the '803 Patent makes loans to participants directly from the corpus of the participants' individual pension accounts based on the value of those accounts at the moment of the "loan" transaction. Since virtually all benefit plans are largely invested in market sensitive securities, e.g., stocks and bonds, the loan amount available to the participant is constantly in flux, and the participant can have little confidence that the balance necessary to honor a loan request (check, card, ACH, etc.) will be available when the request is processed. Second, the '803 Patent requires that benefit plan administration/processing account for every participant loan, every repayment, and every line recalculation, and also to collect or resolve un-repaid loans and, ultimately, to report defaults to the IRS.

The present invention solves both of these prior art problems by creating a segregated loan fund within the participants' pension benefit plan account 14, as shown in FIG. 2B. The first prior art problem is overcome because segregation of a specific dollar amount into a designated loan fund maintained in cash or cash-equivalent investments defines in a stable manner the balance available for participant loans. It is far less burdensome for a financial manager to authorize participant loans from segregated assets that have stable values than to redeem assets that have values varying daily. For example, the '803 Patent requires daily recalculation of the line of credit available to a participant. Further, a participant need no longer fear the uncertainty, potential embarrassment, and adverse credit implications of a bounced loan check or a declined debit transaction or credit card loan advance. Accordingly, in the systems and methods of the present invention, fluctuating asset values are no longer an impediment to the smooth and orderly flow of loan advances as they were under the prior art.

The second prior art problem is overcome because benefit plan administration/processing need no longer perform daily accounting for loan limits, advances, repayments, notifications, and

other loan administration tasks. Preferably, plan administration/processing treats the segregated loan fund as a systemic equivalent to the mutual funds in which plans have traditionally invested, and thus can maintain their traditional role of managing the aggregate asset pools. That these assets now include a segregated loan fund will require little if any changes to benefit plan administration/processing, because the benefit plan will see loan fund accounting as virtually identical to the accounting for typical plan investments, e.g., mutual funds. Pension benefit plan administration/processing need only manage participant loan fund investments in the aggregate just as it would for participants that do not have a loan fund.

Further, the entity performing benefit plan administration/processing (the "plan administrator") need not undertake daily loan management for the plan's participants. Instead, it can efficiently segregate and/or delegate loan administration/processing to a separate system or manager. Such a separate system may be operated by a third-party management entity; alternatively, the separate system may be operated by the plan administrator itself. Accordingly, in the systems and methods of the present invention, benefit plan administration/processing is freed from having to undertake daily loan accounting, these task being segregated to a separate system or manager. Also the plan administrator is free to chose whether or not to undertake operation of such segregated loan systems and management in addition to its operation of plan administration/processing systems.

The present invention has been successfully implemented, as demonstrated by the accompanying declaration of inventor Mark Vernaglia. In contrast, the inventors have learned that, during the ten years since the '803 Patent issued, several major financial institutions have failed in attempts to implement its prior art systems and methods. The accompanying declaration also demonstrates that it is the inventors' understanding that BankOne, GoldK, and other major financial institutions had tried but failed to implement the systems and/or methods disclosed in the '803 Patent. None of these sophisticated institutions attempted to use a separate loan fund in the manner described and claimed by the present application. When the inventors contacted some of these institutions, including SunGard EBS, and explained their invention using a segregated loan fund to stabilize the available balance in the loan fund and also to

provide for segregated loan administration, the contacted institutions found the solution not only unique, but also commercially effective.

Against this background, the Applicant now specifically addresses the present rejections of the pending claims. These rejection are based on the Examiner's contention that the line of credit disclosed in the '803 Patent is a "loan fund" in accordance with the present invention as used in the pending claims. Applicant respectfully disagrees with this statement. In the system and method of the prior art '803 Patent, a participant's line of credit is established as a fraction of the current available capital in the participant's pension plan account. See the '803 Patent at, e.g., col. 3, lines 8-11. Then, when the participant makes a credit request, it is first checked for consistency with current line of credit, and if consistent, the requested amount is withdrawn directly from the participant's pension account. See the '803 Patent at, e.g., col. 3, lines 35-43. Importantly, the '803 Patent neither describes nor suggests any limitations on how such a withdrawal is made. Since most pension accounts are largely invested in stocks and bonds, some of these stock and bond investments will have to be redeemed at their fluctuating market values. For example, each of the plan's investments can be redeemed prorata to obtain funds to meet the credit request.

These withdrawal methods of the '803 Patent are completely different from those disclosed and claimed in the Applicant's invention. As explained above, a key to the Applicant's invention and to its commercial success is a segregated loan fund that is preferably invested in cash or cash equivalents. All redemptions to meet participant credit requests consistent with the participant's current line of credit are made directly from the cash or cash equivalents in the segregated loan fund. All participant repayments for these credit redemptions are also made directly to the segregated loan fund. Thus, no investments of varying value, such as stocks and bonds, need be redeemed and later repurchased. Further, pension plan administration/processing is not burdened with the need to maintain the daily details of accounting and managing of participant loans. Loan accounting and management can be delegated to systems and/or methods separate and segregated from the plan administration/processing systems and methods. These segregated systems can be designed for daily loan processing, while the plan administration

systems can continue to manage only aggregate plan investments, whether they be in traditional stocks and bonds or in a loan fund.

Also as explained above, implementation of the presently claimed invention has been found to be commercially practical, whereas implementation of the prior art, especially the '803 Patent, was found to be commercially impractical. Finally, Norris and Atkins have nothing to do with segregated loan funds (and the Examiner has not otherwise maintained).

Accordingly, Applicant respectfully submits that neither the '803 Patent, nor any of the prior art of record teach the use of a segregated loan fund within a participants' account in a pension benefit plan to implement and account for transactions associated with participant loans, as required by each of the claims. For these reasons, Applicant respectfully traverses the Examiner's rejections based on 35 U.S.C. 103, and submit that the claims are in a position for allowance.

B. CLAIMS 30-44 AND 57 ARE DIRECTED TO STATUTORY SUBJECT MATTER

In the present Office action, the Examiner repeats the rejections of claims 31-44 and 57, under 35 U.S.C. § 101 as directed to non-statutory subject matter.

In response, the Applicant has amended independent claim 31 to now recite a "computer-implemented method". Accordingly, it is respectfully submitted that this claim, and its dependent claims 32-44 and 57, now recite statutory subject matter according to the Examiner, and withdrawal of the instant rejection is requested.

However, this amendment is without disclaimer or prejudice. The Applicant thanks the Examiner for bringing *In re Toma*, 197 U.S.P.Q. 852-857 (C.C.P.A. 1978)and *Ex parte Bowman*, 61 U.S.P.Q.2d 1669-1675 (Bd. of Pat. Appeals and Intf. 2001) to their attention, but they wish to supplement the analysis of these cases appearing in the Office action. First, the Board has determined that *Ex parte Bowman* is not binding and was not written for publication. Therefore, it should not be relied on.

Next, *In re Toma* did not in fact establish a "technological arts" requirement for statutory subject matter. In that regard, the Court actually held as follows:

> Moreover, [certain language in prior cases] was not intended to form a basis for a new § 101 rejection as the examiner apparently suggests. To the extent that this "technological arts" rejection is before us, independently of the rejection based on Benson, it is also reversed.

In re Toma at p. 857.

Therefore, it is submitted that the analysis in the Office action does not disturb the reasoning presented in the Applicant's prior Response. Although the issue is now moot, the Applicant continues to submit that claims 31-44 and 57 as filed are statutory subject matter.

In view of the foregoing, Applicant respectfully submits that all the Examiner's objections and rejections have been addressed and that all of the claims in the present application are allowable. Accordingly, Applicant respectfully requests that the claims be reconsidered and passed to allowance.

Respectfully submitted,

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